EXHIBIT 61

ARIEL FUND LIMITED

April 17, 1995

Dear ,

For the first quarter ending on March 31, 1995, an investment in Ariel Fund, Ltd. decreased approximately 0.1% after all expenses and fees. The unaudited value of your investment was approximately $ at March 31, 1995. Enclosed are the unaudited financial statements of Ariel as of March 31, 1995 and the 1994 audited financial statements. The audited value of your shares was $0.00 on December 31, 1994.

If a bell sounded early in the year, signalling that once again it was safe to wade into the turbulent waters of worldwide markets, it rang at a pitch too high for us to hear. Throughout 1994, we watched the coast-to-coast margin call unfold, and danced away from its ripples as best we could. Those currents came closest to disturbing our portfolio's positions in the fourth quarter of last year as leading hedge funds were stripped of assets by margin calls and investors alike, and the struggle to square their books helped push down our positions. We entered 1995 still very concerned about unforeseen ripples and their impact on our positions, and tried to keep a lowered risk profile throughout much of the first quarter. We feared last year's developments were not fully concluded. In particular, fund managers whose incentive fees encourage them to pay risk premiums, still seemed to be working off their increased leverage, greater concentration, higher volatility, and reduced liquidity. This perception caused us to mute, ever so slightly, the long side of our portfolio. At the same time, we continued to hedge our portfolio's long exposure against the broad U.S. equity markets and other indices, not as a market short, but as an attempt to isolate our portfolio's positions from the reverberations of the broad markets. This hedge proved

costly. Since Thanksgiving of 1994, the U.S. equity markets have rallied about 13 percent, and we have maintained our full market hedge position for almost all this time. In those four months, the markets have been hit with Orange County's derivative mess, the surprise devaluation of the Mexican peso, the devastating earthquake in Japan, and the collapse of one of the world's venerable investment banks. Top that off with a run on the U.S. dollar that has decimated its value. Despite all these eligible candidates, the Dow is still a swollen balloon that cannot find a pin. In the short side of our portfolio we go long the pins, but the money this past quarter was made by betting on the balloon.

In the first quarter our hedges in the broad U.S. equity markets and other indices reduced our portfolio's performance to essentially break-even. We reduced the hedges by about twenty percent in early March, only because even our enthusiasm for lying down in front of a locomotive charging full steam ahead is limited. I have spent a lot of time this quarter cogitating about our penchant for hedging our portfolio's equity exposure against the broad market, and would like to share the following thoughts. Our portfolio for the past few years, has consisted, essentially, of risk arbitrage and bankruptcy positions. The trend so far this year has been to increase the risk arbitrage side, as activity and opportunity in that area increase dramatically, and as the bankruptcy crop continues to be harvested. Individual arbitrage or bankruptcy positions that are hedged through specific puts, or bankruptcy positions that result in cash liquidations, are totally exempted from any offsetting market hedge. Arbitrage positions that produce new equity through a spinoff (for example, McKesson's recent cash sale and stock restructuring), and bankruptcy workouts that produce cash, debt and a new equity interest that we find very attractive (for example, Jim Walter) have market weights assigned to them, but only to the extent of the new equities created. These weights are aggregated into a market hedge for the portfolio as a whole, which creates a total dollar short value.

My concern in continuing this approach is that I may, in essence, still be fighting a war whose armistice has already been declared. Probably my single most searing experience in portfolio management occurred during the 1987 market crash. The formula described above, luckily, helped keep us out of big trouble in that period. We have been using it, in greater or smaller measure, since before the crash, and obviously continue to do so now. The approach is least productive and most costly in periods such as this one, when any money spent on insurance seems an unnecessary waste. Yet I keep telling myself that the only thing worse than squandering premiums is going through a fire uninsured. The memory of 1987's firestorm haunts any manager who went through the period, and I cannot keep myself from habitually buying insurance. That is both my strength and my weakness as a portfolio manager.

Further cogitation: during the quarter just concluded, I have become increasingly concerned that Ariel may be spending a great deal of money digging a Maginot Line that, like the fortifications dug by the French in 1932, holds off supremely well any invasion that comes from the direction feared, but is entirely useless against an attack from another flank. I know that attacks against our portfolio in 1987, 1990, and even 1994 were well defended, as each came from the same direction as feared. I have dug Ariel's fortifications accordingly yet again, but we all know that in financial cycles, as in war, history does not always repeat itself. Until I develop a better sense of which flank to protect, however, we will proceed on the assumption that even if history does not repeat itself, it often rhymes.

While others correctly saw in the period just concluded a quarter of opportunity, we largely saw a quarter of risk. Money managers and investors alike (at least those still left doing battle) seem to be popping out of their foxholes, ready for risk, eager to take money making for granted again. Investors often look up, enchanted by upside and profits, but that works only if their managers spend time and money looking down. The only way to make a great deal of money is to be rather long and rather leveraged. Neither seemed the right strategy for early 1995.

The first quarter contained a development of significance within our organization. In late January, we were very fortunate to add Nathan Leight, lately a partner at Dillon Read & Co. Nathan's experience on Wall Street has been in Ariel's traditional areas: risk arbitrage, bankruptcy investing and other defined special situations. Nathan and I have both been active in these markets for some time, and we think alike about risk management and the disciplined pursuit of profitability.

Nathan was graduated cum laude from Harvard College in 1981, and has since spent 14 years on Wall Street. From 1981-1984, Nathan was an associate in the corporate finance department of Oppenheimer & Co. In 1985, Nathan joined American Securities/Pine Street Partners, then a risk arbitrage partnership. Initially a special-situation analyst, he later became a partner and oversaw the entire research effort. In late 1991, Nathan joined Dillon Read with the mandate to establish a proprietary trading department. His department had a research orientation and specialized in investing in merger arbitrage, high yield bonds, bankrupt companies and other event-driven situations. In January of 1995, he joined Ariel as chief investment officer. We are delighted to have him.

Very truly yours,

J. Ezra Merkin
President

ARIEL FUND LIMITED

January 23, 1995

Dear Gentlemen,

For the fourth quarter ending December 31, 1994, an investment in Ariel Fund, Ltd. declined approximately 2.2%, after all expenses. Net to an investor, an investment in Ariel Fund, Ltd. appreciated approximately 5.9% for the full calendar year. The unaudited value of your investment was approximately $00.00 at December 31, 1994. Audited financial statements for the year will be sent later in the first quarter.

We successfully dodged bullets for the first three quarters of 1994 but took a hit, albeit not fatal, in the fourth quarter. Our quarterly loss was not excessively concentrated in one or two areas. Rather, it was spread over our entire portfolio. In November and December the special-situation marketplace for distressed securities and deal arbitrage began to price the workouts we hope eventually to achieve at increasingly larger discounts to our ultimate targets. Put bluntly, we believe that while the discounts may have grown, the targets did not shrink. If this ambitious statement does not recklessly disregard the warning implicit in the larger discounts more recently made available by the marketplace, it bodes well for the ultimate performance of our portfolio.

The fourth quarter closed a year in which a plague rolled through market after market, testing the liquidity in each one. There were so many ways to lose money in 1994, as the contagion of illiquidity spread. Our turn arrived, in a modest way, in the last eight weeks of the year. Withdrawal-generated liquidations of positions began as several very large and prominent funds found their asset bases shrinking rapidly, both through losses and year-end redemptions, and so decided to vacate our marketplace entirely by year-end. We bid down on pieces of several different vacating portfolios, with bittersweet results: we bought some names at very attractive prices, and simultaneously marked our own positions lower. In our business, they print the answers, and our decision to hold and to raise certain positions will be graded over the next quarter or two. We look forward to reporting our marks.

Ariel's risk management strategy tries to <u>take</u> risk in the position sheet, and in turn, to <u>control</u> risk in the balance sheet. One measure of risk in any portfolio is the nature of the securities it holds, and Ariel's principal risk lies in its list of high-margin high-risk ideas that we think present attractive risk-rewards. However, a portfolio's risk should not be measured simply by virtue of the positions it owns. <u>How</u> one manages risk, what techniques are used regarding concentration requirements, the use of leverage, the use of stop-loss orders - - in short, the pursuit of balance - - is at least as important. Investors sometimes tell us, "Oh, you guys are trading in a safe area." Maybe so, but what makes a fund genuinely safer is its discipline of risk control, its use of techniques that arguably are applicable to the trading of all manner of securities. Ariel collects a portfolio of high-margin ideas, and then runs them as conservatively as possible. Its profitability draws from the margins inherent in the ideas in its portfolio, and not from any aggressive management of the portfolio as a whole. In a sense, our experience in 1994 confirms this. Our risk management techniques helped guide us through the plague-ridden marketplace, particularly in the first three quarters, and the fourth quarter loss derived directly from the risk we underwrite daily in some of our larger names.

This was the year of the bond market crash that was and the stock market crash that wasn't. The Federal Reserve Board raised interest rates in a six-movement symphony that featured as its coda a chilling three-quarters of a point raise that was the largest increase in 13 years. The thirty-year Treasury future lost about 23 percent. An equivalent smack to the stock market, simplistically administered, would have lopped 900 points off the Dow. Contrary to the popular belief that equity investors had a miserable year, 1994 was not that terrible for stocks. The New York Stock Exchange, the American Stock Exchange and the Nasdaq dropped 6, 12 and 7.5 percent each, yet their indices presented performances that were downright Dickensian. The worst of times, widely noted: most stocks declined a good 20 percent, and about one-third of all actively traded stocks declined a third from old highs. The best of times, noted almost nowhere: about one quarter of all NYSE stocks, one half of all Amex stocks, and two-thirds of all Nasdaq stocks gained about a third, and a substantial number actually rose over 40 percent.

Perhaps this simply suggests that, as always, markets simultaneously present danger and opportunity. This requires recognition that the bull market is at least in part pit bull, and yet investors saunter through the marketplace every day, petting the pit bull on the head.

The bond market crash that was, the stock market crash that wasn't; the countless hedge fund strategies that failed, and the handful that worked; Ariel's performance - - reassuring as to the ability of our risk management strategies to preserve capital, and a bit wanting as to upside performance - - all add up to a year that couldn't end fast enough. The lesson from all these converging observations seems to be one we have fought to learn before, and to integrate into the risk control techniques that drive our fund. We must focus on the race, not on the lap. The imperative is to finish the race. No individual lap, no matter how impressively clocked, can be run at the risk of jeopardizing the completion of the race. All who cross the finish line, win. All who falter, lose. In 1994 we advanced toward the finish line, in itself an achievement. In future years, investors will inevitably return to their customary positions in the infield of the track, clocking the performance of individual laps run by different managers, and comparing performances to within minute differences. Then as now, after this year's lesson has faded, only one fact will matter: is the fund manager running his lap at the expense of completing the race? The future is always worth more than the present. At Ariel, we do not hold the future hostage to the present. We hold the present hostage to the future.

If we can be of any help to you in connection with your investment with us, or in any other matter, please do not hesitate to call.

With best wishes for the new year,

Very truly yours,
Ariel Management Corp.

J. Ezra Merkin
President